

Bill closes multi-billion dollar loophole following Welch-led investigation

Washington, DC - Legislation introduced by Rep. Peter Welch (VT-AL) less than three weeks ago to close a multibillion-dollar loophole passed the U.S. House this afternoon.

"This loophole is so outrageous that once exposed in the light of day it was simply indefensible. No contractor should be given a green light to defraud taxpayers. We need to protect taxpayer dollars and our troops serving overseas by closing this loophole with the force of law," said Welch.

Last fall, the Justice Department drafted a rule seeking to crack down on waste, fraud, and abuse in government contracts. The rule requires contractors to report internal fraud or overpayment on government-funded projects if the abuse exceeds \$5 million. However, just before publication, the rule was inexplicably modified to exempt "contracts to be performed outside the United States."

After requesting the investigation on March 7, Welch introduced the "Close the Contractor Fraud Loophole Act," H.R. 5712, on April 4 to require all contractors, regardless of where the work is performed, to be subject to fraud reporting requirements. On April 15, the Oversight and Government Reform Committee held an investigatory hearing on the loophole and the bill, which was approved by the full committee on April 16.

Bush administration officials testified that the loophole was a "bureaucratic mistake." The Professional Services Council, the trade group that represents contractors like KBR, Halliburton, and Blackwater, testified in opposition to the legislation.

Welch added, "This investigation and legislation shows just how important aggressive congressional oversight is to assure accountability and the protection of taxpayer dollars."

The bill passed with bipartisan support by a voice vote.

Last week, Rep. Edolphus Towns, chairman of the Oversight and Government Reform Subcommittee on Government Management, Organization, and Procurement, which held the hearing, said, "The Welch bill is still necessary to make sure this loophole is closed and closed forever."

More information and a chronology of the investigation can be found at: www.welch.house.gov/stopfraud

Also passing the House today was The Government Contractor Accountability Act, H.R. 3928, introduced by Welch and Rep. Chris Murphy. The bill, a product of the Blackwater investigations, requires all companies that receive more than 80 percent of their annual gross revenue from federal funds to disclose the salaries of their most highly-compensated officers. Publicly-traded companies and non-profits already disclose this information to the public and taxpayers.